

Council/Agency Meeting Held: _____	City Clerk's Signature _____
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	
Council Meeting Date: 6/18/2007	Department ID Number: FN 07-003

**CITY OF HUNTINGTON BEACH  
REQUEST FOR CITY COUNCIL ACTION**

**SUBMITTED TO:** HONORABLE MAYOR AND CITY COUNCIL MEMBERS

**SUBMITTED BY:** *Penelope Culbreth Graft*  
PENELOPE CULBRETH-GRAFT, DPA, CITY ADMINISTRATOR

**PREPARED BY:** DAN T. VILLELLA, CPA, FINANCE DIRECTOR *DT*

**SUBJECT:** PREPAYMENT OF CALPERS EMPLOYER CONTRIBUTIONS

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)
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**Statement of Issue:**

The California Public Employees' Retirement System (CalPERS) is offering a 3.66% discount to agencies that pay 100% of the employer's contribution for the 2007-2008 CalPERS fiscal year. The amount of the discount is \$455,053.

**Funding Source:**

Cash is available within the various funds that usually have CalPERS obligations. Any amounts paid prior to the obligation date for these benefits in the fiscal year 2007-2008 are considered prepayments of expenses and can be refunded if necessary.

**Recommended Action: Motion to:**

- Authorize Dan T. Villella, Finance Director to approve the California Public Employees' Retirement System LUMP SUM PAYMENT REQUEST for fiscal year 2007-2008 authorizing the lump sum prepayment of the CalPERS Retirement Employer Contribution in the amount of \$8,714,779 for Safety employees and \$3,251,805 for Miscellaneous employees to be paid by July 15, 2007
- Authorize staff to annually determine and execute the prepayment when the analysis determines an economic benefit to the City

**Alternative Action(s):**

Make the traditional twenty-six biweekly payments throughout the twelve months.

*E-4*

## REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: 6/18/2007

DEPARTMENT ID NUMBER: FN 07-003

### Analysis:

The City has been advised that again CalPERS is offering a 3.66% discount to agencies paying 100% of the employer's share for the 2007-2008 fiscal year by July 15, 2007. Based on this information, the City requested the CalPERS Actuarial & Employer Services Division to calculate the lump sum payment for the Safety employees (Attachment 1) and the Miscellaneous employees (Attachment 2).

This information is based on the most recent annual valuation and assumes payment will be made between July 1 and July 15, 2007. The amount of pre-payment required is approximately 3.66% less than the total of the twenty-six biweekly payments. This reduced amount was calculated by CalPERS discounting future payments by their expected rate of return of 7.75%. The economic advantage to the City results from this expected rate of return materially exceeding the City's expected rate of return.

	<b>Safety</b>	<b>Miscellaneous</b>	<b>Total</b>
Normal – Over 26 Pay Periods	\$9,046,176	\$3,375,461	\$12,421,637
Prepay Entire Amount by July 15, 2007	(8,714,779)	(3,251,805)	(11,966,584)
Gross Savings	\$331,397	\$123,656	455,053

With your approval, the Finance Director can approve the LUMP SUM PAYMENT REQUESTS to be processed in the amount of \$11,966,584 (\$8,714,779 for Safety employees and \$3,251,805 for Miscellaneous employees).

### Strategic Plan Goal:

Not applicable

### Environmental Status:

Not applicable

### Attachment(s):

City Clerk's Page Number	No.	Description
3	1.	Prepayment of the Employer Contributions for Fiscal year 2007-2008 Safety Plan
6	2.	Prepayment of the Employer Contributions for Fiscal Year 2007-2008 Miscellaneous Plan

E4.3

# ATTACHMENT #1

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**Actuarial Office**  
P.O. Box 1494  
Sacramento, CA 95812-1484  
Telecommunications Device for the Deaf - (916) 795-3240  
(888) CalPERS (225-7377) FAX (916) 795-2744

April 23, 2007

Employer Number : 97  
Employer Name : CITY OF HUNTINGTON BEACH  
Rate Plan: SAFETY PLAN

Re: Lump Sum Payment to prepay 2007-2008 employer contribution rate

Dear Requestor:

As requested, 2007-2008 employer contribution rate information on your lump sum payment follows.

**If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.**

The information is based on the most recent annual valuation and assumes payment made between July 1 and July 15, 2007 and no further contractual or financing changes taking effect before June 30, 2008.

The change in your 2007-2008 employer contribution rate after you make the proposed lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2005	\$	%
2007-08 Employer Contributions (\$) mid year	<b>\$9,046,176</b>	<b>28.261%</b>
2007-08 Employer Payment (\$) beg year*	<b>\$8,714,779 *</b>	<b>28.261%</b>
2007-08 Revised Employer Contrib (\$) mid year	<b>\$0</b>	<b>0%</b>
Change to Total Employer Contribution Rate		<b>(28.261%)</b>

\* **Pay this amount (see attachment).** Your pre-payment 2007-2008 Employer Contribution is from your June 30, 2005 actuarial valuation report. It has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount). To the extent your actual 2007-2008 payroll or CalPERS actual 2007-08 net investment earnings differ from our assumptions, we anticipate the differences will be reflected in your 2010-2011 and later employer contribution rates. **If your rate plan is in a risk pool, these earnings and payroll differences will be shared by all employers in that risk pool, under current practice.**

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check between July 1 and July 15. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

Richard Santos, A.S.A.  
Associate Pension Actuary, CalPERS



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**LUMP SUM PAYMENT REQUEST**

**Please complete and return this form to the following address, with a copy to the address above.**

**CalPERS**  
**Fiscal Services Division**  
**Attn: Lynn Duncan**  
**P O Box 1982**  
**Sacramento, CA 95809-1982**

**If a wire transfer is being used, it should go to the following account:**

**ABA#0260-0959-3**

**Bank of America Sacramento Main**  
**555 Capitol Mall, Suite 1555**  
**Sacramento, CA 95814**

**For credit to State of CA, CalPERS**  
**Account # 01482-80005**

**Please e-mail your actuary and Lynn Duncan ([Lynn\\_Duncan@CalPERS.CA.GOV](mailto:Lynn_Duncan@CalPERS.CA.GOV)) on the day of the wire.**

Employer Name: CITY OF HUNTINGTON BEACH

Employer Number: 97

Member Group or Plan: SAFETY PLAN

Coverage Group affected by the Payment (choose one within the affected plan): 74001

Amount: **\$8,714,779**

Purpose: To prepay the 2007-2008 employer contribution rate

Base(s) to which payment is applied: N/A

In recognition of our payment please revise our employer contribution rate effective July 1, 2007:

Name and Title: (Please Print): \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Fiscal Services verification Date Received \_\_\_\_\_ Amount Received \_\_\_\_\_

Reference # \_\_\_\_\_ Name and Date: \_\_\_\_\_

ACTO PP 2-2006

E4.6

**ATTACHMENT #2**

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(888) CalPERS (225-7377) FAX (916) 795-2744

April 23, 2007

Employer Number : 97  
Employer Name : CITY OF HUNTINGTON BEACH  
Rate Plan: MISCELLANEOUS PLAN

Re: Lump Sum Payment to prepay 2007-2008 employer contribution rate

Dear Requestor:

As requested, 2007-2008 employer contribution rate information on your lump sum payment follows.

**If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.**

The information is based on the most recent annual valuation and assumes payment made between July 1 and July 15, 2007 and no further contractual or financing changes taking effect before June 30, 2008.

The change in your 2007-2008 employer contribution rate after you make the proposed lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2005	\$	%
2007-08 Employer Contributions (\$) mid year	<b>\$3,375,461</b>	<b>8.212%</b>
2007-08 Employer Payment (\$) beg year*	<b>\$3,251,805 *</b>	<b>8.212%</b>
2007-08 Revised Employer Contrib (\$) mid year	<b>\$0</b>	<b>0%</b>
Change to Total Employer Contribution Rate		<b>(8.212%)</b>

\* **Pay this amount (see attachment).** Your pre-payment 2007-2008 Employer Contribution is from your June 30, 2005 actuarial valuation report. It has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount). To the extent your actual 2007-2008 payroll or CalPERS actual 2007-08 net investment earnings differ from our assumptions, we anticipate the differences will be reflected in your 2010-2011 and later employer contribution rates. **If your rate plan is in a risk pool, these earnings and payroll differences will be shared by all employers in that risk pool, under current practice.**

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**Please e-mail your actuary and Lynn Duncan ([Lynn\\_Duncan@CalPERS.CA.GOV](mailto:Lynn_Duncan@CalPERS.CA.GOV)) on the day of the wire.**

Employer Name: CITY OF HUNTINGTON BEACH

Employer Number: 97

Member Group or Plan: MISCELLANEOUS PLAN

Coverage Group affected by the Payment (choose one within the affected plan): 70001

Amount: **\$3,251,805**

Purpose: To prepay the 2007-2008 employer contribution rate

Base(s) to which payment is applied: N/A

In recognition of our payment please revise our employer contribution rate effective July 1, 2007:

Name and Title: (Please Print): \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Fiscal Services verification Date Received \_\_\_\_\_ Amount Received \_\_\_\_\_

Reference # \_\_\_\_\_ Name and Date: \_\_\_\_\_

ACTO PP 2-2006